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The Treasury Note

A monthly newsletter of California municipal finance.

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Recent Bond Sales

Variable Rate General Obligation Bonds

California's inaugural sale of its variable rate general obligation bond program took place on April 10. The \$1.4 billion general obligation (G.O.) bond sale consisted of \$900 million in variable rate demand bonds and \$500 million in auction rate bonds. The proceeds will fund construction and repair of K-12 schools.

The sale marks the introduction of variable rate and auction rate components for a G.O. offering by the State of California and broadens the diverse investor base in California bonds. The use of variable rate bonds is part of the Strategic Debt Management Plan. The \$1.4 billion variable rate bonds represents 5.0 percent of total outstanding G.O. debt. The variable rate bond series have a daily and weekly interest rate reset. The auction rate bond series will include seven-day, thirty-five-day, and 180-day auctions.

Another important feature of this sale is the establishment of an Optional Registry. As a convenience to the beneficial owners of variable rate bonds, an electronic copy of disclosure notices, such as rating changes; notices of redemption; or sinking fund payments, which are sent to the Depository Trust Company (DTC) or securities repositories regarding the variable rate bonds, will be forwarded to all owners who have completed the registration process. For additional information and to register, please visit our website at www.treasurer.ca.gov/Bonds/registry.htm.

The three major rating agencies, Standard and Poor's, Moody's Investors Service, and Fitch

Ratings, rated the variable rate Series 2003A bonds AA-, Aaa, and A+; Series 2003B bonds AA-, Aaa, and AA-; Series 2003C bonds A+, Aaa, and AA-; and the auction rate bonds A, A2, and A, respectively.

State Public Works Board

The State of California sold \$40,340,000 in State Public Works Board Lease Revenue bonds on March 26, at a true interest cost of 4.92 percent. The bond sale consisted of \$32.76 million in 2003 Series A bonds and \$7.58 million in 2003 Series B bonds. The 2003 Series A bonds carry ratings of AA- from Fitch Ratings and Standard & Poor's, and an Aa2 from Moody's Investors Service. The 2003 Series B bonds carry ratings of A- from Fitch Ratings and Standard & Poor's, and an A3 from Moody's Investors Service.

Proceeds from the 2003 Series A bonds will fund the University of California's Medical Investigation of Neurodevelopmental Disorders Institute (UC M.I.N.D. Institute) project. The UC M.I.N.D. Institute project will provide for the construction of a research and clinic facility focused on the study and treatment of neurodevelopment disorders such as autism, attention deficit and hyperactivity disorders, learning disorders, and Tourette's Syndrome. The 2003 Series B bond proceeds will fund the Department of Mental Health's Patton State Hospital Ed Bernath Building project. The Patton State Hospital, opened in 1893, is the second oldest state hospital. The project will provide fire, life safety, and environmental improvements to the Ed Bernath Building.

Redemptions & Defeasances

The listing below reflects officially announced redemptions and defeasances as of May 1, 2003.

State of California Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series L, Dated Date: May 1, 1993 (Partial Redemption).

\$12,970,000 of the bonds (CUSIP Number 130663P27) due December 1, 2006; \$13,715,000 of the bonds (CUSIP Number 130663P35) due December 1, 2007; \$14,505,000 of the bonds (CUSIP Number 130663P43) due December 1, 2008; \$15,365,000 of the bonds (CUSIP Number 130663P50) due December 1, 2009; \$16,295,000 of the bonds (CUSIP Number 130663P68) due December 1, 2010; \$17,275,000 of the bonds (CUSIP Number 130663P76) due December 1, 2011; \$18,315,000 of the bonds (CUSIP Number 130663P84) due December 1, 2012; \$19,405,000 of the bonds (CUSIP Number 130663P92) due December 1, 2013; \$20,575,000 of the bonds (CUSIP Number 130663Q26) due December 1, 2014; \$44,940,000 of the bonds (CUSIP Number 130663Q42) due December 1, 2016; \$78,140,000 of the bonds (CUSIP Number 130663Q75) due December 1, 2019; \$117,260,000 of the bonds (CUSIP Number 130663R33) due December 1, 2023; and \$44,580,000 of the bonds (CUSIP Number 130663R58) due December 1, 2025, will be redeemed on June 1, 2003.

State Public Works Board of the State of California, Lease Revenue Bonds (The Regents of the University of California), 1993 Series B (Various University of California Projects), Dated Date: December 1, 1993 (Partial Redemption).

\$32,950,000 of the bonds (CUSIP Number 13068GUX2) due June 1, 2014 will be redeemed on June 1, 2003.

State Public Works Board of the State of California, Lease Revenue Bonds (Department of Corrections), 1993 Series D (California State Prison - Lassen County, Susanville), Dated Date: October 1, 1993 (Partial Redemption).

\$12,925,000 of the bonds (CUSIP Number 13068GTM8) due June 1, 2007; \$13,600,000 of the bonds (CUSIP Number 13068GTN6) due June 1, 2008; and \$62,025,000 of the bonds (CUSIP Number 13068GTT3) due June 1, 2012, will be redeemed on June 1, 2003.

Department of Veterans Affairs of the State of California, Home Purchase Revenue Bonds, 1998 Series A, Dated Date: May 5, 1998 (Partial Redemption).

\$2,610,000 of the bonds (CUSIP Number 130658GF8) due December 1, 2018 and \$9,955,000 of the bonds (CUSIP Number 130658GG6) due December 1, 2019, will be redeemed on June 1, 2003.

Bond Sales Calendar

If you are interested in purchasing any of the bonds listed below, please contact your broker two weeks before the sale date. For up to date information, check our website (www.treasurer.ca.gov) or contact *Investor Relations* at (800) 900-3873.

PROPOSED BOND SALES ^(1, 2)	AMOUNT ⁽¹⁾	SALE DATE ⁽¹⁾
General Obligation Bonds – Fixed Rate/Restructuring	\$1.75 billion	June 2003
Golden State Tobacco Securitization Corporation – Tobacco Securitization Bonds (Second Sale)	\$2.0 billion	To Be Determined
California Infrastructure and Economic Development Bank – State Revolving Fund	\$75 million	Summer 2003
California Infrastructure and Economic Development Bank – Bay Bridge Seismic	To Be Determined	Summer/Fall 2003

¹ Subject to change

² Economic refundings may be added
